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TAGS: ETRD ECON EAGR RS

SUBJECT: RUSSIA'S WTO ACCESSION: ON AGAIN?

Classified By: AMBASSADOR JOHN BEYRLE, REASONS 1.4 (B) AND (D)

¶1. (C) Summary: Recent discussions with senior advisers to President Medvedev and PM Putin indicate that Russia is again prepared to pursue accession to WTO on its own, reversing the course seemingly set by Putin's June 9 statement that Russia would accede only together with Belarus and Kazakhstan in a tripartite customs union. First Deputy PM Shuvalov will travel to the U.S. in advance of the Sept. 24-25 G-20 meetings in Pittsburgh, and hopes for meetings with US officials in Washington aimed at putting the accession process back on track. We should be prepared to re-engage to reinforce what appears to be movement back in the right direction, in line with our interest in seeing Russia bound by the rules and transparency inherent in WTO membership. But we also need to stress that it is crucial that Shuvalov bring a clear plan of what Moscow is prepared to do to revive momentum and demonstrate clear will in the WTO process, in light of the mixed signals and on-again, off-again nature of Russian actions. End summary.

Medvedev: A Change in Policy

¶2. (C) Amb. Beyrle met July 24 with Arkadiy Dvorkovich, chief economic adviser to President Medvedev, in advance of his July 29-31 visit to the U.S. for G-8 Sherpa meetings. Beyrle asked whether Medvedev's July 10 statement that Russia would pursue WT accession "in parallel" with formation of a customs union with Belarus and Kazakhstan was a change of nuance or a change of policy. Dvorkovich confirmed that the "parallel process" was now policy. Russia would continue the negotiating process as a sovereign country, "in coordination with the customs union partners, as much as possible." June 2010 was the target for formal accession, but the work should aim to be completed well before that--"basically by the end of the year."

¶3. (C) Dvorkovich said Russia had heard some worrying signals from the Europeans following Putin's customs union declaration, in essence a threat to re-open some previously closed issues in light of what Brussels perceived as "steps in a relatively wrong direction" by Moscow. He said Russia would not roll back any of the tariff increases recently instituted simply to be "pre-compliant" with WTO practices, since it saw these as compensatory to protection afforded to certain industries in other countries and thus provided for under WTO rules. Russia was ready to discuss these issues "separately" (he mentioned the case of combine harvesters as an example).

¶4. (C) Dvorkovich confirmed that First Deputy PM Igor Shuvalov maintains the lead on Russia's WTO process,

assisted by Finance Minister Kudrin and Economic Development Minister Nabiullina. Shuvalov will attend the G-20 summit in Pittsburgh Sept. 25-26 with President Medvedev, but hopes to visit Washington several days in advance of that for talks with USG officials, inter alia aimed at discussing a "road map" for WTO.

Putin's Views Also Changed

¶5. (C) In a July 27 conversation with the Ambassador, Putin's chief foreign policy adviser Yuriy Ushakov confirmed that Putin's views had also changed. The original idea for the customs union accession had come from the Kazakhs, he claimed, with Russian and Belarussian support enlisted without much advance notice. Putin now saw that this idea "had too many problems," including opposition from within the WTO itself. Everyone now understood it was practically impossible to do this as a group, Ushakov said, especially since Belarus was so far behind the others in its own accession process. Putin's statement, he added, was a gesture of frustration at a long drawn-out accession process. Now Russia had "two priorities," WTO membership and the customs union, but they could proceed "in parallel."

¶6. (C) European Commission representative Marc Franco told the Ambassador July 28 that the EC was cautious regarding Medvedev's "in parallel" statement, but when told of the comments by Dvorkovich and Ushakov he described them as something new, and said he would report them to Brussels. The customs union "distraction" had taken most of the energy

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out of WTO discussions with Russia, he cautioned, and if Medvedev and Putin were now serious about reviving the process they would have to overcome a "mountain of skepticism" in Brussels.

Comment/Recommendation

¶7. (C) We share Franco's assessment that the Russians dug themselves quite a hole by linking accession with the customs union. Medvedev's "in parallel" statement was seen here as an effort to salvage some credibility and momentum after Putin pulled the rug out from under several members of his own government, and provoked critical reactions--some veiled, some explicit--from key members of Russia's business elite. Ushakov's comments indicate that Putin himself is now looking to backtrack, but we will need more evidence of this than his or Dvorkovich's words. We recommend engaging with Kudrin or Shuvalov before the latter's September trip to the U.S. to elicit specifics of how Russia proposes to revive the process. Our interest in seeing Russian accession delinked from the customs union is clear, and we should reinforce any movement in that direction. But we should also make clear that our willingness to help Russia out of this hole requires a commitment to real progress on real issues - e.g., phytosanitary regulations or IPR/encryption - that were identified during the Kirk and Ashton meetings in St. Petersburg. End comment.

BEYRLE